

# FINAL BILL REPORT

## EHB 1165

---

C 15 L 22  
Synopsis as Enacted

**Brief Description:** Concerning the Washington credit union act.

**Sponsors:** Representatives Ryu, Vick, Santos, Hoff and Harris-Talley.

**House Committee on Consumer Protection & Business**  
**Senate Committee on Business, Financial Services & Trade**

### **Background:**

#### Credit Union Regulations.

Credit unions doing business in Washington may be chartered by the state or federal government. The Department of Financial Institutions (DFI) regulates state-chartered credit unions. State law provides for the organization, regulation, and examination of state-chartered credit unions. The Director of the DFI (Director) may, by rule, provide relief from certain state laws and rules to small credit unions, which are defined as credit unions with up to \$10 million in total assets.

#### Credit Union Authority.

State-chartered credit unions have all of the powers and authorities held by federal credit unions on December 31, 1993, or a subsequent date not later than July 28, 2019. State credit unions may have all of the powers and authorities held by federal credit unions after that date if the Director finds that the exercise of the power and authority serves the convenience and advantage of credit union members and maintains the fairness of competition and parity between state credit unions and federal credit unions. State credit unions also have all powers and authorities of out-of-state credit unions, except membership, subject to certain requirements.

#### Credit Union Services and Charges.

Credit unions may provide a variety of financial services to members, including accepting deposits, making loans, and paying interest or dividends. Credit unions may impose reasonable charges for services provided to members.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

#### Investment of Credit Union Funds.

Credit unions may invest funds in a variety of investment types if the investments are deemed prudent by their boards of directors. Examples include: loans held by other credit unions; fixed income securities such as bonds; mutual funds with a portfolio of securities issued or guaranteed by the federal government; shares of stocks in organizations whose primary purpose is to strengthen, advance, or provide services in the credit union industry or for the credit union's membership; and insurance policies and investment products related to employee benefits.

#### Real Property Interests.

Credit unions may invest in real property or leasehold interests if used in conducting its business or the business of a credit union services organization, subject to certain limitations. Credit unions must partially occupy real property acquired for future expansion within three years of the investment if property improvements are made at the time of acquisition, or within six years if no improvements are made.

#### **Summary:**

#### Credit Union Regulations.

The Director of the Department of Financial Institutions (Director) is required to determine the definition of small credit unions for the purpose of providing relief from certain state laws or rules to small credit unions.

#### Credit Union Authority.

State-chartered credit unions may have all of the powers and authorities held by federal credit unions as of December 31, 1993, or a subsequent date not later than June 9, 2022.

#### Credit Union Services and Charges.

Credit unions may cash checks, money orders, and other payment instruments for members and persons who are eligible for membership. Credit unions may impose reasonable charges for providing services to non-members.

#### Investment of Credit Union Funds.

Credit unions may invest in the equity interest of corporations and other limited liability entities. The principal business of the corporation or entity does not have to be related to the credit union's business, but the corporation or business must be engaged in or planning activity that will be performed for or provided to the credit union or its members. An equity interest is defined as a stock, membership in a limited liability corporation, or a limited partnership interest in which the credit union's liability is limited to the amount of the investment and the credit union does not take on general liability. Until January 1, 2025, the initial aggregate amount of funds a credit union may invest in equity interests in corporations or other limited liability entities may not exceed the lesser of 2.5 percent of the credit union's net worth or, when combined with investments in credit union service

organizations, 10 percent of the credit union's assets. Beginning January 1, 2025, the initial aggregate amount of funds a credit union may invest in equity interests in corporations or other limited liability entities may not exceed the lesser of 5 percent of the credit union's net worth or, when combined with investments in credit union service organizations, 10 percent of the credit union's assets. Credit unions may not invest in a federal or state depository institution or a bank or savings bank holding company.

Credit unions may engage in investment activity only with the prior authorization of the Director, and investment activity is subject to any requirements, restrictions, or other conditions adopted by the Director. In approving or denying a proposed investment, the Director must consider the financial and management strength of the credit union and the relationship of the activity to the credit union's operations.

Real Property Interests.

The requirement that credit unions partially occupy property acquired for future expansion within a designated amount of time from acquisition is eliminated.

**Votes on Final Passage:**

House	93	2
House	84	13
Senate	43	5

**Effective:** June 9, 2022